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1795

ESO 1795

FARM POLICY

1991 Farm Program

RESOURCES and GUIDELINES
For
EDUCATIONAL MEETINGS

MAR 2 6 1991

AGRICULTURAL ECONOMICS
& RURAL SOCIOLOGY

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FACT

**Food, Agriculture, Conservation
and Trade Act of 1990**

**(more affectionately – the
1990 Farm Bill)**

and

OBRA

**Ominibus Budget Reconciliation
Act of 1990**

**(used to acheive \$13.6
Billion saving)**

OBRA

**1. Triple Base Plan
'91-'95**

**2. Deficiency Payments
12 month base
'94-'95**

**3. Acreage Reduction Program
'91 Minimum Levels**

Wheat - 15%

Corn - 7.5%

OBRA

4. Loan Origination Fees

Oilseeds '91-'95

2%

5. Marketing Assessments

'91-'95 Crops

Sugarbeets - .193 cents per lb.

Wool - 1% of payment

Tobacco - 1% of support level

6. Dairy Price Reduction

'91 - 5 cents per lb.

'92-'95 - 11.25 cents per lb.

FACT

1. Commodity Loans

1) Basic Loan = 85% 5 yr. Olympic Ave.

<u>Marketing year</u>	<u>Wheat</u> \$/bu.	<u>Corn</u>
'86-87	2.42	1.50
'87-88	2.57	1.94
'88-89	3.72	2.54
'89-90	3.72	2.36
'90-91	2.60	2.35
Olympic Average	2.96	2.22
Basic Loan (85%)	2.52	1.89

FACT

2) Discretionary Adjustments

a) Stocks/Use Ratio

<u>Wheat</u>	<u>Corn</u>	<u>Adjustment</u>
<u>>30%</u>	<u>>25%</u>	- 10%
<u>>15<30%</u>	<u>>12.5<25%</u>	- 5%
<u><15%</u>	<u><12.5%</u>	0

'91-92 S/U Ratios

Wheat = 36.6%

Corn = 17.7%

S/U Adjustment

Wheat = \$2.52 x .9 = \$2.27

Corn = \$1.89 x .95 = \$1.80

b) Competitive Position (0-10% reduction)

Wheat = \$2.27 x .9 = \$2.04 / bu.

Corn = \$1.80 x .9 = \$1.62 / bu.

FACT

2. Marketing Loan

Soybean = \$5.02 - 2% fee = \$4.92/bu.

Canola = \$.089 - 2% fee = \$.087/lb.

3. Target Price ('91-'95)

wheat	\$4.00
Corn	\$2.75

FACT

4. Triple Base ('91-'95)

	<u>Wheat</u>	<u>Corn</u>
Base Acreage	100	100
85% Base	85	85
- ARP %	15	7.5
= Maximum Pay Acres	70	77.5

FACT

5. Acreage Reduction Program

Based on Stocks/Use Ratio

<u>ARP Range (%)</u>		
<u>Ratio (%)</u>	<u>Wheat</u>	<u>Corn</u>
>25		10-20
<u><25</u>		0-12.5
>40	10-20	
<u><40</u>	0-15	

1991 ARP Levels (% Base Acres)

Wheat	15%
Corn	7.5%

FACT

6. Deficiency Payment Rates (Wheat/Corn)

'91-'93

Regular Rate = Target -

5 mo Price
or
Basic Loan
(higher of)

Findley = Basic Loan -

12 mo Price
or
Announced Loan
(higher of)

'91 Deficiency Payments

	Projected	Maximum
Corn =	\$.58	\$1.13
wheat =	\$1.40	\$1.96

FACT

7. Payment Limitations/Person

Deficiency/Diversion	\$50,000
Findley Payments	\$75,000
Marketing Loan Gains	\$75,000
Disaster	\$100,000

8. Flexibility

Protect Base

NFA - 15%

Any Crop: No Def. Payments

OFA - 0 to 10%

Base Crop: Def. Payments

Other Crop: No Def. Payments

Corn 100 Acre Base

7.5% ARP No Payment

15% NFA No Deficiency

0-10% OFA Base Crop: Deficiency
Other Crop: No Deficiency

67.5 - 77.5% Deficiency
Max. Pay Acres Payment

FACT

9. 0/92 Program

Deficiency Payments: Program Crop

92% of Max. Payment Acres

Plant Minor Oilseeds

Collect Program Crop Def. Payments

No Market Loan: 100% Crop